



Horizons

The newsletter for Nebraska's 529 Direct and Advisor College Savings Plan account owners.

WINTER 2015

Message from the Nebraska State Treasurer

Those of us who practice the tradition of making New Year's resolutions typically promise to do something to improve ourselves or to perform more acts of kindness for others as the new year unfolds. New Year's resolutions need to be simple. Goals need to be realistic. Resolutions should be easy to track and be rewarding as you see progress.

One simple resolution you can make to both improve your own future financial well-being and to perform an act of kindness for someone else is to contribute regularly to your child's or grandchild's Nebraska Educational Savings Trust (NEST) 529 college savings account. Make a resolution to increase your contribution amount each year by taking advantage of our Automatic Investment Plan that allows contributions from your bank account or our Payroll Deduction option to make automatic contributions from

your paycheck. This simple resolution will make you proud year after year.

By having opened a NEST account, you can choose a realistic goal that best suits your investment philosophy and your budget. You can easily keep track of your progress online and you can count your blessings when you file your taxes. In Nebraska, a married couple filing jointly or a single taxpayer can deduct up to \$10,000 from state income taxes.¹

And what better reward than being surrounded by the smiles, hugs, and love of your beneficiaries, those children and grandchildren in your life that give promise to every New Year's resolution you could ever make? I wish the best to you in 2016.

¹ Nebraska state tax deductions are subject to recapture if you cancel the Participation Agreement, a non-qualified withdrawal is taken, or if assets are rolled out of a NEST Plan.

Want to save more this upcoming year?

Here are ways to save for your NEST account.

- 1** When our daughter entered kindergarten and we no longer had the expense of day care, we put a portion of that money into her college fund.
- 2** When we paid off our cars and no longer had monthly payments, we allocated part of those monthly payment dollars for our kids' college savings accounts.
- 3** Brewing my own coffee and adding flavors at home saves \$25 - \$30 a week on lattes. We put that savings directly into our NEST account.

- 4** Our kids' college savings is one of our monthly bills like our heat, water, and life insurance. We budget a minimum of \$50/kid, but if we have a little extra, this is where we try to put it. For us, it is about discipline and keeping a focus on the future.

- 5** We ask our family to give half of what they would spend on birthdays/holidays for our kids' NEST accounts.



Market Commentary



Kurt Spieler, CFA
Vice President,
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First National
Wealth Management

During the last three months, volatility continued in the stock market with equities correcting in September and rebounding in October. Year-to-date, the S&P 500 return is +3.0% which compares favorably to U.S. small and mid-cap performance. International markets were weaker with the MSCI EAFE

return +0.5% and MSCI Emerging Markets -13.0%. Concerns about the global economy with several countries, including the world's third largest economy, Japan, reporting recessions have led to volatility. Fixed income market returns have held steady with the Barclays Capital Intermediate Government/Credit Index return +1.4%.²

The U.S. economy is benefiting from labor market strength with 298,000 jobs added in October and 211,000 in November. As a result, the unemployment rate fell to 5%, the lowest rate since April 2008.³ In addition to job creation, average hourly earnings have accelerated and the labor force

participation rate has stabilized. The correlation between jobs and the economy provides assurance that the U.S. expansion will continue and be led by consumption. The outlook is not all positive as the impact of a strong dollar and low oil prices limit manufacturing and corporate investment.

In our opinion, the key to further gains in equities is a resumption of sales and earnings growth. In the latest quarter, companies reported a 3.9% decline in revenue and 1.3% decline in earnings.⁴ We expect company fundamentals to improve in 2016 as continued U.S. economic expansion and stabilization in oil prices lead to positive sales and earnings growth. In the fixed income market, economists are now expecting the Federal Reserve to increase the federal funds rate target in December. Any change in monetary policy, however, is expected to be modest as the Federal Reserve believes economic conditions warrant interest rates below normal. As a result, U.S. interest rates are likely to remain at low levels.

- 2 FactSet, S&P 500, MSCI Europe, Far East, Australia, MSCI Emerging Markets, Barclays Capital Intermediate Government/Credit Index, November 30th year-to-date returns
- 3 Bloomberg, Bureau of Labor Statistics, October and November private payroll growth
- 4 FactSet, Q3 2015 Sales and Earnings growth for S&P 500 Index

Year-end Nebraska Tax Considerations

Tips for Completing Nebraska Schedule I Tax Form

- Remember to report your 2015 NEST contributions on your 2015 Nebraska state income tax return. To be eligible, contributions must be completed online or mailed by Dec. 31.

		Nebraska Schedule I — Nebraska Adjustments to Income <small>(Nebraska Schedule II reverse side.)</small> <small>* Attach this page to Form 1040N.</small>		FORM 1040N Schedule I 2015	
Name on Form 1040N		Social Security Number			
Nebraska Schedule I — Nebraska Adjustments to Income for Nebraska Residents, Partial-Year Residents, and Nonresidents <small>* Attach additional pages if necessary.</small>					
Part B—Adjustments Decreasing Federal AGI					
16	Nebraska College Savings Program contribution (see instructions)	16		00	
17	Nebraska Long-Term Care Savings Plan contribution	17		00	
18	Nebraska Long-Term Care Savings Plan earnings	18		00	

- Account owners are eligible to receive a tax deduction of up to \$10,000 (\$5,000 if married, filing separately) for contributions they make to their own NEST accounts. Contributions in excess of \$10,000 cannot be carried over to a future year.⁵
- Only account owners can take the tax deduction. A parent's or guardian's contributions into a minor-owned account are not eligible for the Nebraska state income tax deduction.
- Both the contribution and earnings portion of funds from a non-Nebraska 529 plan that were deposited into a NEST Plan account are eligible to receive the tax deduction.

- Contributions made to another state's 529 college savings plans are not deductible from the Nebraska state income tax. Do not include those contributions on your Nebraska tax form.

Getting a Tax Refund?

It's easy to put your tax refund to work in your NEST 529 account. If the refund check is made payable to you, you can endorse the check over to the "NEST Direct Plan" or the "NEST Advisor Plan" and include a contribution coupon or write your NEST account number on the check. If the refund is received electronically into your bank account, you can send a personal check or log on to your account and send an Electronic Funds Transfer directly from your bank account.

Account Owners from Other States

Does your or your Beneficiary's home state provide tax deductions or other benefits for 529 college savings contributions? Taxpayers may wish to seek tax advice from an independent tax advisor or financial advisor based on their particular circumstances.

⁵ Nebraska state tax deductions are subject to recapture if you cancel the Participation Agreement, a non-qualified withdrawal is taken, or if assets are rolled out of a NEST Plan.

Scholarship Corner

WRITING CONTEST 2016

The Nebraska State Treasurer's office is looking for seventh and eighth graders who are baseball fans and who love to write – or who need practice in the valuable skill – to enter the 14th annual "Why I Want to Go to College" writing contest. The contest is co-sponsored by the Omaha Storm Chasers.

In addition to receiving contributions to NEST college savings plan accounts, winners will be recognized at home plate at the May 1 Storm Chasers game at Werner Park in Papillion, Neb.

The writing contest will begin in January with entries due March 18, 2016. Three winners will be chosen in each of Nebraska's three U.S. Congressional districts, and three winners will be selected from outside Nebraska.

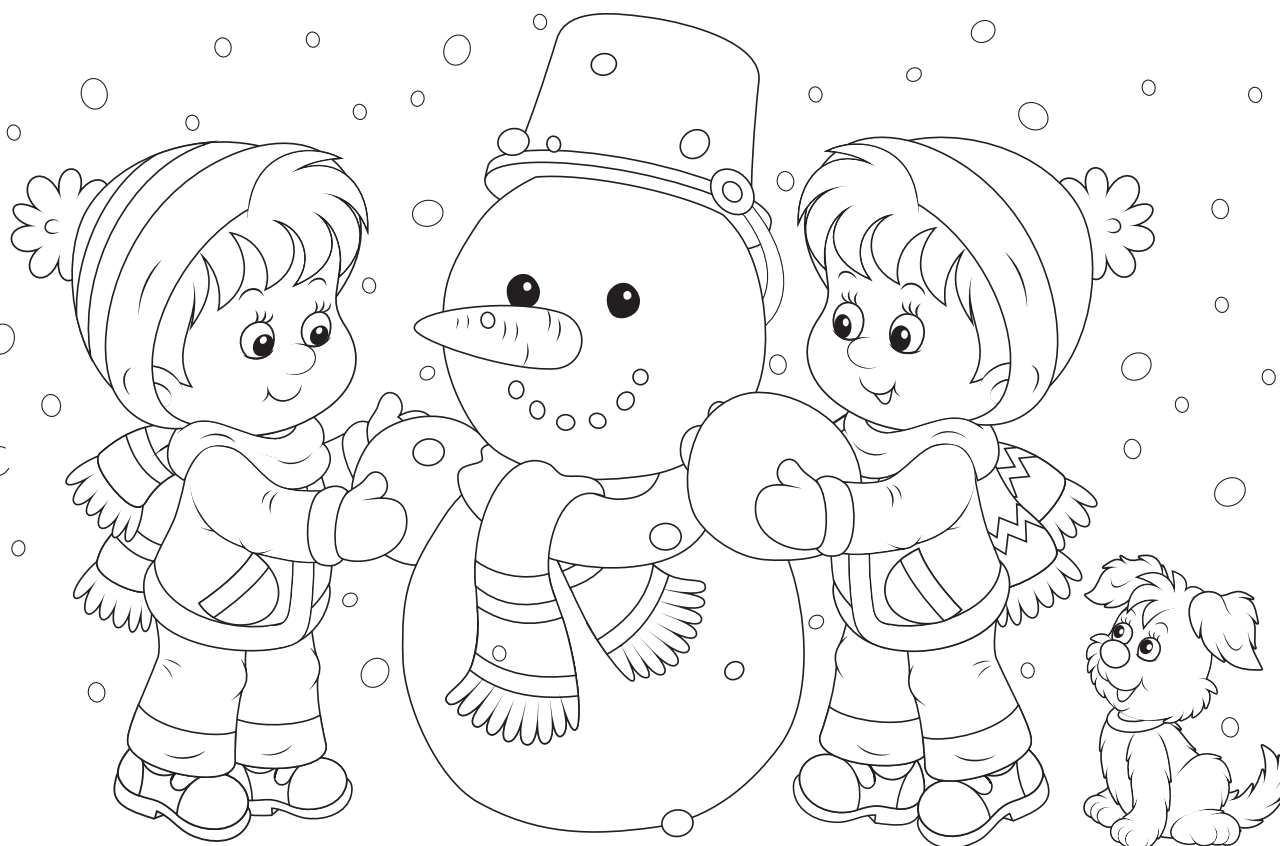
First-place winners will each receive a \$2,000 contribution to a NEST college savings plan account. Second-place winners will each receive a \$1,000 contribution to a NEST plan account, and third-place winners will each receive a \$500 contribution to a NEST college savings plan account. All Nebraska winners will receive tickets to the May 1 game.



The Treasurer's office says it is always impressed with the big plans students write about in their essays. Equally impressive, the office says, are the students' references to their family members, teachers, neighbors, and friends who inspire and motivate them to do well. Contributing to a NEST college savings account for a child, grandchild, niece, nephew, or friend can go a long way to making these big plans a reality, the Treasurer's office said.

Contest details will be available in January at <https://treasurer.nebraska.gov/csp/scholarships/>.

Kids' Corner When it's cold outside, have fun coloring this happy snowman.



Scholarship Corner

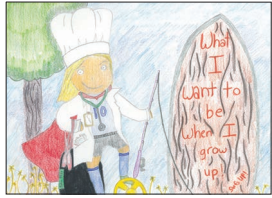
Congratulations to our 2015 Draw Your Dreams Scholarship winners. Twelve young artists from Nebraska, Minnesota and Texas each received \$1,000 in a NEST account. Here are the winning drawings.



Ayla, third grade, Columbus, NE



Cameryn, kindergarten, Omaha, NE



Elizabeth, seventh grade, Longview, TX



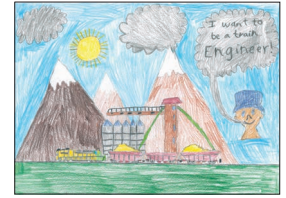
Emerson, first grade, Tilden, NE



Gracie, second grade, Litchfield, NE



Hanna, sixth grade, Apple Valley, MN



Kaden, second grade, Meadow Grove, NE



Karlee, third grade, Tilden, NE



Katie, sixth grade, Nebraska City, NE



Raden, fifth grade, Mills, NE



Tucker, third grade, Henderson, NE



Wyatt, seventh grade, Pleasanton, NE

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The NEST Direct and NEST Advisor Plans are sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. The NEST Direct and NEST Advisor Plans offer a series of investment portfolios within the Nebraska Educational Savings Plan Trust, which offers other investment portfolios not affiliated with the NEST Direct or NEST Advisor Plans. The NEST Direct and NEST Advisor Plans are intended to operate as qualified tuition programs to be used only to save for qualified higher education expenses, pursuant to Section 529 of the U.S. Internal Revenue Code.

An investor should consider the Plans' investment objectives, risks, charges, and expenses before investing. The Program Disclosure Statements, at www.NEST529Direct.com or www.NEST529Advisor.com, which contain more information, should be read carefully before investing.

Investors should consider before investing whether their or their beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program and should consult their tax advisor, attorney and/or other advisor regarding their specific legal, investment, or tax situation.

This material is provided for general and educational purposes only, and is not intended to provide legal, tax, or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. This material is not an offer to sell or a solicitation of an offer to buy any securities. Any offer to sell units within the Plan may only be made by the Program Disclosure Statement and Participation Agreement relating to the Plan.

Participation in the Plans does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover tuition and other higher education expenses, or that a beneficiary will be admitted to or permitted to continue to attend an eligible educational institution.

Except for the Bank Savings Individual Investment Option, investments in the NEST Direct and NEST Advisor Plans are not guaranteed or insured by the FDIC or any other government agency and are not deposits or other obligations of any depository institution. Investments are not guaranteed or insured by the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council or First National Bank of Omaha or its authorized agents or their affiliates, and are subject to investment risks, including loss of the principal amount invested. FDIC insurance is provided for the Bank Savings Individual Investment Option up to the maximum amount set by federal law, currently \$250,000.

Nebraska Educational Savings Plan Trust Issuer

Nebraska State Treasurer Trustee

Nebraska Investment Council Investment Oversight

First National Bank of Omaha Program Manager

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Nebraska State Treasurer, Trustee

Investments Are Not FDIC Insured* | No Bank, State or Federal Guarantee | May Lose Value

*Except the Bank Savings Individual Investment Option

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Program Manager